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## Russian Federation

### Livestock and Products

### Annual

### 2007

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**Report Highlights:**

Growth in consumer demand for meat products continues to outpace production and import growth. Swine numbers are forecast to increase 8 percent in 2008 while cattle numbers are expected to decrease 3 percent. During the first 6 months of 2007 beef and pork prices grew 3.2 percent and 2.6 percent - substantially lower than during the same period in 2006 where beef and pork prices grew 9.7 and 7.4 percent. Rising feed costs are expected to push meat prices up even higher by the end of 2007 and into 2008. Imports of beef and pork into Russia totaled 632,000 metric tons (product weight) from January to June 2007, up 26 percent compared to the previous year. Russian officials plan to introduce a new mechanism for distributing meat tariff rate quotas for 2008 and 2009. Russian veterinary specialists recently concluded inspections of U.S. beef facilities. A list of approved U.S. beef establishments for export to Russia will be made available soon.

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**Includes PSD Changes: Yes**

**Includes Trade Matrix: No**

**Annual Report**

**Moscow [RS1]**

**[RS]**

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Data included in this report are not official USDA data. Official USDA data are available at <http://www.fas.usda.gov/psdonlineonline>.

## Executive Summary

Beef production is forecast to decrease 3 percent in 2008 as poor cattle husbandry and generally negative financial returns continue to scare off potential investors. By contrast, pork production is expected to increase 8 percent in 2008, largely due to growing investments in swine production, better reproductive yields and availability of investment credit subsidies. Livestock policies under the National Priority Project for Agriculture (NPP), active since 2005, and the recently approved State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012, encourage swine production and attempt to address Russia's declining cattle numbers. Russia and the United States agreed on new veterinary certificates for beef and beef products and for pork and pork products in late 2006. Russian veterinary specialists recently completed inspections of U.S. slaughter and processing facilities. Demand for livestock genetics continues to be strong. A list of approved facilities for export to Russia is expected by the end of October 2007 with a resumption of trade shortly thereafter.

## Overview

The Russian government is taking active measures to develop the livestock industry. The three-year National Priority Project for Agriculture (NPP) began in 2005 and calls for the construction, renovation and modernization of large, commercial livestock farms as well as for extension of credit to smallholders and private plot producers who generate approximately half of total livestock products. The Russian government recently approved a new program that will succeed the NPP titled, "The State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012" that encourages pork and beef production and attempts to address Russia's declining cattle numbers. This program includes import-substitution policies designed to stimulate domestic livestock production and to protect local producers.

From January to June 2007, 623,000 metric tons of red meat was imported. A decade-long decline in beef production resulted in limited beef availability in the Russian market. In response, the Russian government was forced to take steps to increase the availability of beef by lifting beef bans on major trading partners, and by reallocating the majority of the European Union's beef tariff-rate quota (TRQ) to developing countries (mainly Brazil).

Swine production increased in 2007, but remains below the Ministry of Agriculture's expectations. The Russian Statistics Agency (Rosstat) reported that as of August 1, 2007, the swine herd was 9.9 percent larger than in 2006, totaling 17.6 million head. Russian government officials are worried that rising grain prices will force smaller farmers to slaughter their pigs sooner and depress herd growth potential. The effect of rising input prices on small producers in Russia is significant, as private households account for roughly 50 percent of livestock production in Russia, but have limited ability to pass on higher costs to consumers.

Russia hopes to increase domestic meat production 42.6 percent over 2006 figures by 2012. Under the new program, Russia will extend its TRQ regime on imported meat beyond 2009, remove the country allocations currently within the TRQ regime, and increase its out-of-quota tariff rates (see GAIN report RS7051). Despite these efforts, Russian livestock breeders are struggling to satisfy rising per capita meat consumption growth that fell sharply during the economic reform efforts of the 1990's.

## Production

Pork production is expected to increase 8.3 percent in 2008. The pig crop will equal approximately 42.2 million head. Larger pig stocks are a result of growing investment in construction and renovation of swine operations, availability of investment subsidies credit to smallholders and private plot producers, and more widespread use of better genetic stock. Improvements in feeding and breeding technologies and the growing use of modern management techniques are expected to boost swine potential in 2008 and 2009.

The Russian Statistics Agency (Rosstat) reported that as of August 1, 2007, the swine herd totaled 17.6 million head - 9.9 percent larger than in 2006. There is some concern, however, that rising grain prices will force small farmers to slaughter their pigs sooner and depress herd growth potential. The effect of rising input prices on small producers in Russia is significant, as private households account for almost 50 percent of livestock production in Russia, but have limited ability to pass on higher costs to consumers. In 2006, 48.2 percent of cattle, 43.8 percent of swine and 53.2 percent of sheep and goats were raised at private households.

The Russian pork industry is becoming more productive as it consolidates and follows the vertical integration model seen in the west. Vertically integrated companies are increasing their market share as they have already begun slowly to absorb less efficient producers being squeezed out of the market by higher feed prices and poor management. Some market analysts predict that 15-20 pork companies will go under by mid-2008 and get taken over by some of the bigger players. On the other side of the coin, there is less certainty on the rate of industry consolidation, as almost half of all swine raised in Russia are done so on private households. Industry consolidation appears inevitable, but the structure of ownership within the swine industry leads some analysts to conclude that rate of consolidation will proceed slowly.

Under the NPP, 114 new pork production facilities will be built and help increase domestic pork production (live weight) by 443,000 metric tons by the end of 2007, 855,000 metric tons in 2008, and 950,000 metric tons in 2009. Many of the new pork production facilities will feature foreign equipment. If all proposed measures are fully implemented and successful, annual domestic pork production is intended eventually to reach 2.4 million metric tons.

Cattle beginning stocks are forecast to decrease 3.7 percent in 2008, continuing the decade-and-a-half decline in this sector due to low productivity and reproductive efficiency. As a result, beef production is expected to fall 1.1 percent. The commercial beef cattle industry in Russia is in its infancy, and has far to go before it will become profitable. Dairy cattle remain the primary source of domestic beef (bull calves and spent dairy cows). Converting dairy cattle into beef will continue to depress the recovery of Russia's beef cattle industry. The challenge remains in making beef an attractive area for investment as poor animal husbandry and general negative returns continue to scare investors away.

PSD Table									
Country	Russian Federation								
Commodity	Animal Numbers, Cattle				(1000 HEAD)(PERCENT)				
	2006	Revised		2007	Est		2008	Forecast	
	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Total Cattle Beg. Stks	19850	19850	19850	19000	18695	19000	18250	17639	18330
Dairy Cows Beg. Stocks	9770	9770	9770	9450	9250	9450	0	0	9300
Beef Cows Beg. Stocks	0	0	0	0	0	0	0	0	0
Production (Calf Crop)	7505	7500	7505	7270	7110	7270	0	0	7220
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	58	40	58	60	60	60	0	0	60
Total Imports	58	40	58	60	60	60	0	0	60
Total Supply	27413	27390	27413	26330	25865	26330	18250	17639	25610
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	5	0	0	5	0	0	0	5
Total Exports	0	5	0	0	5	0	0	0	5
Cow Slaughter	1450	1500	1450	1400	1440	1450	0	0	1400
Calf Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	6860	7110	6860	6600	6701	6500	0	0	6450
Total Slaughter	8310	8610	8310	8000	8141	7950	0	0	7850
Loss	103	80	103	80	80	50	0	0	50
Ending Inventories	19000	18695	19000	18250	17639	18330	0	0	17705
Total Distribution	27413	27390	27413	26330	25865	26330	0	0	25610
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	-18250	-17639	0
Inventory Balance	-850	-1155	-850	-750	-1056	-670	-18250	-17639	-625
Inventory Change	-6	-6	-6	2	-6	-4	-4	-6	-4
Cow Change	-6	-6	-6	2	-5	-3	-100	-100	-2
Production Change	-6	-6	-6	2	-5	-3	-100	-100	-1
Production to Cows	77	77	77	77	77	77	0	0	78
Trade Balance	-58	-35	-58	-60	-55	-60	0	0	-55
Slaughter to Inventory	42	43	42	42	44	42	0	0	43

Not Official USDA Data

PSD Table					Russian Federation				
Country	Meat, Beef and Veal								
Commodity	(1000 HEAD)(1000 MT CWE)(PERCENT)(HEAD)(KG)								
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Slaughter (Reference)	8310	8610	8310	8000	8141	7950	0	0	7850
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1430	1460	1430	1380	1380	1370	0	0	1355
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	955	710	955	960	720	970	0	0	990
Total Imports	955	710	955	960	720	970	0	0	990
Total Supply	2385	2170	2385	2340	2100	2340	0	0	2345
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	15	5	15	15	5	15	0	0	15
Total Exports	15	5	15	15	5	15	0	0	15
Human Dom. Consumption	2330	2125	2330	2285	2050	2285	0	0	2290
Other Use, Losses	40	40	40	40	45	40	0	0	40
Total Dom. Consumption	2370	2165	2370	2325	2095	2325	0	0	2330
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2385	2170	2385	2340	2100	2340	0	0	2345

Not Official USDA Data

PSD Table									
Country	Russian Federation								
Commodity	Animal Numbers, Swine				(1000 HEAD)(PERCENT)				
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New	USDA Official	Post Est	Post Est New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Total Beginning Stocks	16550	16550	16550	17380	17610	17180	18990	18840	18580
Sow Beginning Stocks	3600	3600	3600	3800	3800	3750	0	0	4100
Production (Pig Crop)	37000	37000	37000	41000	39300	38900	0	0	42200
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	382	60	382	400	60	400	0	0	400
Total Imports	382	60	382	400	60	400	0	0	400
Total Supply	53932	53610	53932	58780	56970	56480	18990	18840	61180
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	1	0	0	1	0	0	0	1
Total Exports	0	1	0	0	1	0	0	0	1
Sow Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	32800	32500	32852	35890	34450	34100	0	0	37250
Total Slaughter	32800	32500	32852	35890	34450	34100	0	0	37250
Loss	3752	3499	3900	3900	3679	3800	0	0	3500
Ending Inventories	17380	17610	17180	18990	18840	18580	0	0	20429
Total Distribution	53932	53610	53932	58780	56970	56480	0	0	61180
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	-18990	-18840	0
Inventory Balance	830	1060	630	1610	1230	1400	-18990	-18840	1849
Inventory Change	0	0	0	-1	6	4	9	7	8
Sow Change	3	3	3	0	6	4	-100	-100	9
Production Change	4	4	4	4	6	5	-100	-100	8
Production to Sows	10,3	10,3	10,3	10,8	10,3	10,4	0	0	10,3
Trade Balance	-382	-59	-382	-400	-59	-400	0	0	-399
Slaughter to Inventory	198	196	199	207	196	198	0	0	200

Not Official USDA Data

PSD Table									
Country	Russian Federation								
Commodity	Meat, Swine			(1000 HEAD)(1000 MT CWE)(PERCENT)					
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Slaughter (Reference)	32800	32500	32852	35890	34450	34100	0	0	37250
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1805	1800	1805	2000	1910	1880	0	0	2050
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	852	700	852	850	700	870	0	0	890
Total Imports	852	700	852	850	700	870	0	0	890
Total Supply	2657	2500	2657	2850	2610	2750	0	0	2940
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	20	1	20	20	1	20	0	0	20
Total Exports	20	1	20	20	1	20	0	0	20
Human Dom. Consumption	2578	2440	2578	2776	2555	2676	0	0	2865
Other Use, Losses	59	59	59	54	54	54	0	0	55
Total Dom. Consumption	2637	2499	2637	2830	2609	2730	0	0	2920
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2657	2500	2657	2850	2610	2750	0	0	2940
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Weights	55	55	55	56	55	55	0	0	55
Production Change	4	4	4	5	6	4	-100	-100	9
Import Change	11	4	11	3	0	2	-100	-100	2
Export Change	-17	0	-17	0	0	0	-100	-100	0
Trade Balance	-832	-699	-832	-830	-699	-850	0	0	-870
Consumption Change	7	4	7	4	4	4	-100	-100	7

Not Official USDA Data



## Consumption

Strong economic growth in Russia is increasing demand for beef and pork products. Pork consumption is expected to grow 6.5 percent in 2008. Beef consumption in 2008 is forecast to remain unchanged from 2007, assuming beef imports can compensate for declining domestic production. Russian consumers spend about half of their salaries on food, on average, and small increases in red meat prices, without additional real wage growth, can reduce consumption of red meat.

## Trade

According to the Federal Customs Service, Russia imported 636,600 metric tons of frozen/fresh beef from January to July 2007 valued at \$1.6 billion, up 24 percent from 2006. During the same time period in 2006, Russia imported 511,400 metric tons of frozen/fresh beef valued at \$933 million.

Earlier this year, the European Union (EU) agreed to reallocate 270,000 metric tons (77.6 percent) of their 2007 frozen beef quota to developing countries, as EU domestic supplies were at low levels. The vast majority of their quota went to Brazil.

Several government agencies, including the Ministry of Economic Trade and Development, criticized the Ministry of Agriculture for failing to control increasing meat prices. In response, the Russian veterinary service removed beef import restrictions from several previously banned countries, and lowered out-of-quota import duties for numerous beef categories in early 2007.

Ukraine benefited from the easing of restrictions and shipped 48,200 metric tons of beef to Russia during the first seven months of 2007, thus tripling their exports to Russia compared to 2006 levels. Russia allowed beef imports from Ukraine in 2007 after Russian veterinary specialists inspected dozens of its meat establishments. Currently 14 Ukrainian meat processing facilities are licensed to export to Russia although that number is expected to grow as inspections continue.

Bulgaria may join Ukraine in shipping meat products to Russia soon, according to representatives of Russia's veterinary service. Russian specialists traveled to Bulgaria for two weeks and inspected safety and quality control procedures. Russian specialists plan to return to Bulgaria and visit central, regional and border veterinary services, customs warehouses, cattle farms, slaughterhouses, processing plants, checkpoints and sea ports.

Demand for imported livestock genetics is strong. Live cattle and hogs imported under the National Priority Project and financed by the government agricultural leasing agency, Rosagroleasing (<http://eng.rosagroleasing.ru/>), as well as semen and embryos, are being imported from distant Australia and Canada since supplies of live animals in western Europe have been largely exhausted. Much of the demand for swine genetics is spurred by recognition that outdated Russian swine genetics offering 4:1 feed conversion ratios and fat hogs unfit for processing cannot compete with western feed conversion ratios and leaner hogs. Beef genetics demand is rooted in a realization that higher dairy yields and beef daily gains can only be achieved through specialized breeds. This has resulted in imports of specialized beef and dairy brood cattle from Europe, Canada and Australia. Imports of live cattle and embryos from the United States remain in abeyance pending agreement on veterinary protocols.

**Table 1: Russia, Imports of Meat, January-June 2005-2007, in metric tons**

		Jan-Jun	Jan-Jun	Jan-Jun	% Change
HS	Description	2005	2006	2007	- 07/06 -
02	TOTAL	1,241,111	1,357,912	1,444,718	6.39
0202	Beef, Frozen	210,389	218,693	347,814	59.04
0203	Pork, Fr Or Fz	200,114	273,771	275,186	.52
0207	Poultry Meat, Offal	577,515	582,727	534,567	-8.26
0206	Edible Animal Offal	137,440	130,338	151,166	15.98
0209	Pig And Poultry Fat	86,464	112,258	103,757	-7.57
0201	Beef Fresh/Chilled	7,968	9,554	9,166	-4.06
0205	Horses, Asses, Mules	14,581	14,498	11,902	-17.9
0208	Other Fz Or Fr	3,046	5,444	5,732	5.29
0204	Sheep Or Goats	2,633	9,716	4,606	-52.59

Source: Customs Committee of Russia

**Table 2: Russia, Imports of 0202 Beef, Frozen, by Country, January-June 2005-2007, in kilograms**

					% Change
Rank	Country	2005	2006	2007	- 07/06 -
0	--The World--	210,388,968	218,693,380	347,814,064	59.04
1	Brazil	72,042,840	87,855,336	239,656,523	172.79
2	Argentina	69,021,596	55,016,496	49,177,094	-10.61
3	Paraguay	16,638,318	37,046,878	25,576,986	-30.96
4	Ukraine	23,187,655	529,000	16,964,245	3106.85
5	Uruguay	812,354	11,482,338	6,220,711	-45.82
6	Germany	7,185,226	6,923,302	3,292,000	-52.45
7	Ireland	5,942,566	9,344,737	1,756,638	-81.2

Source: World Trade Atlas

**Table 3: Russia, Imports of Pork, Frozen, by Country, January-June 2005-2007, in kilograms**

					% Change
Rank	Country	2005	2006	2007	- 07/06 -
0	--The World--	200,113,698	273,770,795	275,185,979	.52
1	Brazil	133,767,107	88,218,193	141,161,763	60.01
2	Denmark	13,626,106	51,830,985	33,914,704	-34.57
3	Canada	3,779,060	29,781,300	29,781,538	0
4	United States	13,611,674	31,734,375	27,709,708	-12.68
5	Germany	5,280,607	19,979,893	12,305,429	-38.41
6	Spain	1,642,656	6,641,807	5,903,064	-11.12
7	Netherlands	3,974,459	6,222,228	5,527,095	-11.17
8	Finland	3,366,025	8,534,113	5,352,560	-37.28
9	Belgium	282,742	6,385,260	5,043,247	-21.02
10	France	3,944,030	6,414,310	2,595,634	-59.53
11	Ireland	333,143	1,931,626	2,138,205	10.69

Source: World Trade Atlas

**Table 4: Russia, Imports of Live Bovines, by Country, January-June 2005-2007, in million dollars**

Rank	Country	Jan-Jun 2005	Jan-Jun 2006	Jan-Jun 2007
0	--The World--	3.754	20.290	83.779
1	Germany	0.000	5.885	42.856
2	Netherlands	0.000	11.960	24.232
3	Canada	0.000	0.000	5.656
4	Austria	0.000	0.161	4.946
5	Denmark	2.916	1.820	2.782
6	France	0.000	0.000	1.364
7	Hungary	0.838	0.463	1.302
8	Finland	0.000	0.000	0.589
9	Belgium	0.000	0.000	0.050

Source: World Trade Atlas

**Table 5: Russia, Imports of Live Bovines, by Country, Calendar Year 2004-2006, in million dollars**

Rank	Country	2004	2005	2006
0	--The World--	8.767	26.731	108.964
1	Germany	2.337	0.000	42.813
2	Netherlands	2.055	12.637	38.022
3	Denmark	2.379	7.317	9.044
4	Austria	1.602	4.443	8.211
5	Australia	0.000	0.000	4.873
6	Hungary	0.394	2.147	3.244
7	France	0.000	0.000	2.466
8	Estonia	0.000	0.000	0.217
9	Lithuania	0.000	0.000	0.074

Source: World Trade Atlas

**Table 6: Russia, Imports of Purebred Swine for Breeding, by Country, January-June 2005-2007, in million dollars**

Rank	Country	Jan-Jun 2005	Jan-Jun 2006	Jan-Jun 2007
0	-- The World--	1.736098	5.998267	12.892271
1	Poland	0.228372	1.016585	3.448324
2	Canada	0	0	3.356235
3	United Kingdom	0	1.356622	1.748773
4	France	0.108466	0.549519	1.662237
5	Hungary	0	0	1.361021
6	Denmark	1.352652	2.434183	0.717473
7	Ireland	0	0	0.387683
8	Czech Republic	0	0.062384	0.146734
9	Germany	0	0	0.063791
10	Austria	0	0	0
11	Estonia	0	0.031707	0
12	Finland	0.044153	0	0
13	Latvia	0	0	0
14	Lithuania	0	0.41627	0

Source: World Trade Atlas

**Table 7: Russia, Imports of Purebred Swine for Breeding, by Country, Calendar Years 2004-2006, in million dollars**

Rank	Country	2004	2005	2006
0	--The World--	1.518234	6.590267	19.549667
1	Denmark	1.170377	1.486044	6.979539
2	Poland	0.303797	3.574954	3.924165
3	Canada	0	0.400688	2.387552
4	United Kingdom	0	0.398967	2.297697
5	France	0	0.576358	1.813525
6	Lithuania	0	0.061115	1.399422
7	Finland	0	0.044153	0.181534
8	Austria	0	0.045533	0.166513
9	Spain	0	0	0.130997
10	Estonia	0.016761	0	0.113646
11	Czech Republic	0	0	0.108401
12	Ireland	0	0	0.046676
13	Hungary	0.027299	0	0
14	Latvia	0	0	0
15	Ukraine	0	0.002455	0

Source: World Trade Atlas

**Table 8: Russia, Imports of Bovine Semen, by Country, Calendar Years 2004-2006, in thousand dollars**

Rank	Country	2004	2005	2006
0	--The World--	78.045	487.721	827.993
1	Canada	28.472	176.359	516.044
2	Netherlands	0	73.799	166.249
3	United States	0	0	110.501
4	Germany	6.531	0	24.454
5	Switzerland	7.5	0	6
6	Lithuania	4.851	6.597	4.745
7	Sweden	0	198.214	0
8	Ukraine	0	0	0
9	EU 15 (Cty Unidentified)	0	3.381	0
10	Finland	30.691	29.371	0

Source: World Trade Atlas

### VPSS Introduces New Electronic System for Meat Imports

The Russian veterinary service plans to expand the list of countries whose meat and poultry imports will be subject to electronic verification. The system is designed to detect counterfeit veterinary certificates, and support efforts to reduce smuggling of illegal livestock products into Russia. The new system was launched in early 2007 for Australian imports of red meats. The new electronic system will soon be applied to beef, pork and poultry imports from the United States, Canada and Denmark, and eventually to all countries, according to representatives from the Russian veterinary service. Russian veterinary officials have publicly stated that because of an "increasing number of cases where accompanying documentation was filled with errors," they are specifically targeting U.S.-origin meat and poultry products.

## Prices

Beef and pork price growth in the Moscow retail meat market slowed from January to June 2007 compared to the same period in 2006. In 2007, beef and pork prices grew 3.2 percent and 2.6 percent, respectively, while in 2006 beef and pork prices grew 9.7 and 7.4 percent, respectively. Pork wholesale prices decreased for imported and domestic pork products, while the growth of beef prices reflected market shortages. The slower price growth of meat products helped stabilize inflation for most of 2007. During the first eight months of 2007, inflation was maintained at around 7.0 percent - a decrease from the same period in 2006 when inflation reached 7.2 percent.

**Table 9: Russia, Beef and Pork Wholesale Prices, Half Carcass, April 2003–May 2007 (RUR/Kg)**

Date	Exchange rate ruble/\$	Domestic beef	Imported beef	Domestic pork	Imported pork
04/30/2003	31.10	48.00	46.35	40.25	44.62
06/30/2003	30.34	47.00	49.45	42.51	49.00
09/30/2003	30.61	58.00	52.75	51.33	61.60
12/30/2003	29.25	51.00	54.96	52.50	53.89
03/30/2004	28.49	66.00	67.05	55.17	55.05
06/30/2004	29.03	64.50	65.99	64.33	76.05
09/30/2004	29.22	66.75	70.50	87.50	86.86
12/29/2004	27.78	72.00	81.17	83.50	84.12
03/30/2005	27.83	85.00	83.15	79.50	81.53
06/30/2005	28.67	82.02	81.28	76.67	78.24
09/30/2005	28.50	83.33	85.37	82.00	85.76
10/30/2005	28.42	84.10	85.87	84.50	84.76
11/30/2005	28.73	82.92	85.88	81.50	84.41
12/30/2005	28.75	81.00	85.41	85.00	88.10
01/30/2006	28.02	89.38	88.17	89.00	89.33
02/28/2006	28.12	88.60	88.56	85.14	92.01
03/30/2006	27.80	100.88	100.67	87.00	88.58
04/30/2006	27.36	102.25	100.79	83.63	91.11
05/30/2006	27.07	100.19	100.11	86.20	92.99
06/30/2006	27.08	97.25	96.33	85.62	91.33
07/30/2006	26.84	96.30	96.98	88.05	86.42
08/30/2006	26.74	95.00	100.25	86.00	86.75
09/30/2006	26.78	99.38	97.89	82.50	87.56
10/30/2006	26.79	99.23	96.01	83.15	86.49
11/30/2006	26.31	95.21	94.74	76.00	84.51
12/30/2006	26.38	85.00	91.83	74.50	88.89
01/30/2007	26.57	94.05	91.09	78.00	83.13
02/28/2007	26.16	86.55	84.00	67.00	80.46
03/20/2007	26.02	88.10	85.42	61.50	73.84
04/30/2007	25.69	93.10	91.73	65.00	80.49
05/30/2007	25.90	93.10	92.96	66.50	77.50

**Source: Institute of Agrarian Market Research (IKAR)**

However, rising feed costs are expected to increase meat prices by the end of 2007 and into 2008. Feed prices almost doubled over the summer, according to reports from the Ministry of Agriculture, although grain yields were at 2006 levels. In an effort to reduce inflationary

pressures on the Russian economy, on October 10, 2007, Minister of Agriculture Aleksey Gordeyev announced a 30-percent export tariff on barley and 10-percent export tariff on wheat would be imposed in November, 30 days after official publication (which followed the next day). For further details please see GAIN reports RS7065 and RS7068.

Prices of imported live cattle have risen sharply over the last year due to strong demand under the NPP, with bred Dutch Frisian heifers reportedly selling for 2,200 Euro per head, delivered.

### **Stocks**

A stable flow of pork and beef imports in 2007 kept meat stocks adequate for retail trade and processing facilities. Stocks were excessive at the start of 2007, however, as importers exceeded their quota limits in efforts to raise their import averages, before the new tariff-rate quota allocation system took effect.

### **Policy**

The Russian government distributed all tariff rate quotas for beef, pork and poultry in late March 2007, in accordance with Russian legislation (see GAIN Report RS7039). However, Russian officials plan to introduce a new mechanism for distributing meat and poultry import quotas. In August 2007, members of the Consultative Council on the Monitoring of Chicken, Beef, and Pork Imports, considered a draft measure that would change the methodology used to determine tariff rate quotas for 2008 and 2009. According to Russian officials, the draft measure reflects ongoing market changes exemplified by the successful implementation of the NPP. Officials claim the estimated volume of required meat imports is correct, but that the current system creates incentives for importers to exceed quota limits in order to keep their future quotas intact. Under the new proposal, the share of a tariff rate quota an importer would receive in 2008-2009 would be based on the average share that importer received in 2005-2006. The draft proposal was sent to several Russian ministries for comment, and market analysts expect its approval by November 2007.

### **Change in Customs Tariff Code for Pork Trimmings**

Russia introduced changes to the customs tariff code and to resolution No. 732 by including sub-categories for pork trimmings<sup>1</sup> (0203 29 550 2 and 0203 29 900 2) and increased the tariff rate quota by 26,500 metric tons above the previously set amount for 2007-09 (see GAIN report RS7041). This action increased the U.S. share of the pork quota by 2,700 metric tons for 2007, 2008 and 2009.

The Ministry of Economic Development and Trade will issue licenses from June 10 to December 31, 2007 to importers who purchased pork during the previous year. Importers will only be issued licenses for pork trimmings, however, after they fulfill their tariff rate quota allocations.

### **National Priority Project**

The Ministry of Agriculture continues to track Russia's progress on achieving the goals outlined in the National Priority Project (NPP) for Agriculture. Minister Gordeyev said, "An increase in meat production due the Priority Project has doubled from the planed number."

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<sup>1</sup> The term "trimmings" denotes minor pieces of boneless, skinless meat with fat tissue not exceeding 70 percent. Import duties for pork trimmings are set at 15 percent, but not less than 0.25 Euros/kg.

Over 1,700 facilities participate in construction and reconstruction programs to modernize livestock farms, currently, with over 90 percent of those facilities signing credit agreements totaling RUR131 billion. Since implementation of the NPP, 62,100 head of pedigree cattle (62 percent of plan), and equipment purchases totaling RUR1.1 billion for 124,600 cattle head equivalent (95.8 percent of plan) were purchased to revitalize the domestic livestock sector. See also GAIN reports RS5086 and RS7020.

### **New Prime Minister Intends to Cut Imports of Agricultural Products**

Recently appointed Prime Minister Viktor Zubkov stated that the money allocated from the state budget for agricultural development (including money for the NPP), is substantial but not effective. "We need a technological modernization in the agriculture industry; we need to elaborate a strategy of developing agriculture to make the money work. The money is given, but milk production this year increased only 2 percent," Zubkov noted in a recent press conference. Zubkov added that additional funds should be earmarked to improve rural infrastructure, while at the same time a strong government effort must be made to reduce imports of agriculture products.

### **Results of Agriculture Census**

The Ministry of Agriculture is correcting several agribusiness indicators, as a result of the July 2006 census of agriculture. The census revealed numerous discrepancies (upwards of 30 percent in some cases) in the current statistics, including discrepancies in livestock data. For example, the cattle inventory is actually 3.4 percent higher than current statistics indicate. Additionally, the number of hogs is 12 percent higher, and the number of sheep and goats is 7 percent higher, according to the census<sup>2</sup>. Results from the recent agricultural census are included in the State Program on Agricultural Development that was approved by the government on July 12, 2007 (see GAIN report RS7051).

### **Food Dye Additive E128 Is Prohibited For Use in Processed Foods**

The Russian government recently banned food dye additive E128 (Red 2G) for use in processed foods after a European Union report linked possible health risks to humans from consuming processed meats treated with the food dye (see GAIN Report RS7062). Food imports that contain this additive will be turned away upon reaching Russian ports. Prior to the ban, the food colorant could be added to hot dogs (wieners) with grain and legume content greater than 6 percent and to products prepared from ground meat containing more than 4 percent grain, legumes, and vegetables with a maximum content of 20Mg/Kg.

### **Halal Livestock Products**

The network of shops and meat processing plants specializing in Halal livestock products is expanding in Moscow. The Mufti Council created The Halal Center of Standardization and Certification to coordinate activities between the shops and over 100 Halal-certified livestock processing plants in Russia. The Chairmen of the Mufti Council of Russia successfully advocated the concept to the Moscow Duma, in response to increasing demand among Muslims for meat products prepared according to Islamic law and tradition. Countries such as Germany, France, and Brazil currently export Halal-certified meat to Russia, in coordination with the Mufti Council.

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<sup>2</sup> The census revealed sheep and goat populations are each seven percent higher than indicated in official statistics.



**Other Relevant Reports**

RS7068 Grain Export Tariffs Coming in November  
(not posted to the GAIN database as of this report's submission)

RS7320 Grain Interventions and Tariffs Likely  
<http://www.fas.usda.gov/gainfiles/200709/146292480.pdf>

RS7051 Government Program for Agriculture and for Market Regulation 2008-2012  
<http://www.fas.usda.gov/gainfiles/200707/146291764.pdf>

RS7041 Russia Increases Import Quota for Pork  
<http://www.fas.usda.gov/gainfiles/200705/146281199.pdf>

RS7039 Russia Distributed All Meat and Poultry TRQs  
<http://www.fas.usda.gov/gainfiles/200704/146280948.pdf>

RS7036 National Meat Association Head Comments on Pork Market  
<http://www.fas.usda.gov/gainfiles/200704/146280897.pdf>

RS7031 Russia Lifts BSE Ban from Canada  
<http://www.fas.usda.gov/gainfiles/200704/146280764.pdf>

RS7020 Progress of the National Priority Project in Agriculture  
<http://www.fas.usda.gov/gainfiles/200702/146280251.pdf>

RS7008 Russia Lowers Out-of-Quota Import Duties on Beef  
<http://www.fas.usda.gov/gainfiles/200701/146280054.pdf>

RS7005 Federal Law "On Development of Agriculture"  
<http://www.fas.usda.gov/gainfiles/200701/146279991.pdf>

RS7004 Decrees on Agricultural Subsidization  
<http://www.fas.usda.gov/gainfiles/200701/146279951.pdf>